

# **COLORADO ECONOMIC OUTLOOK**

**State's Recovery Continues, But ....**

**Prepared for**

**State Demography Office**

**Annual Meeting**

**by**

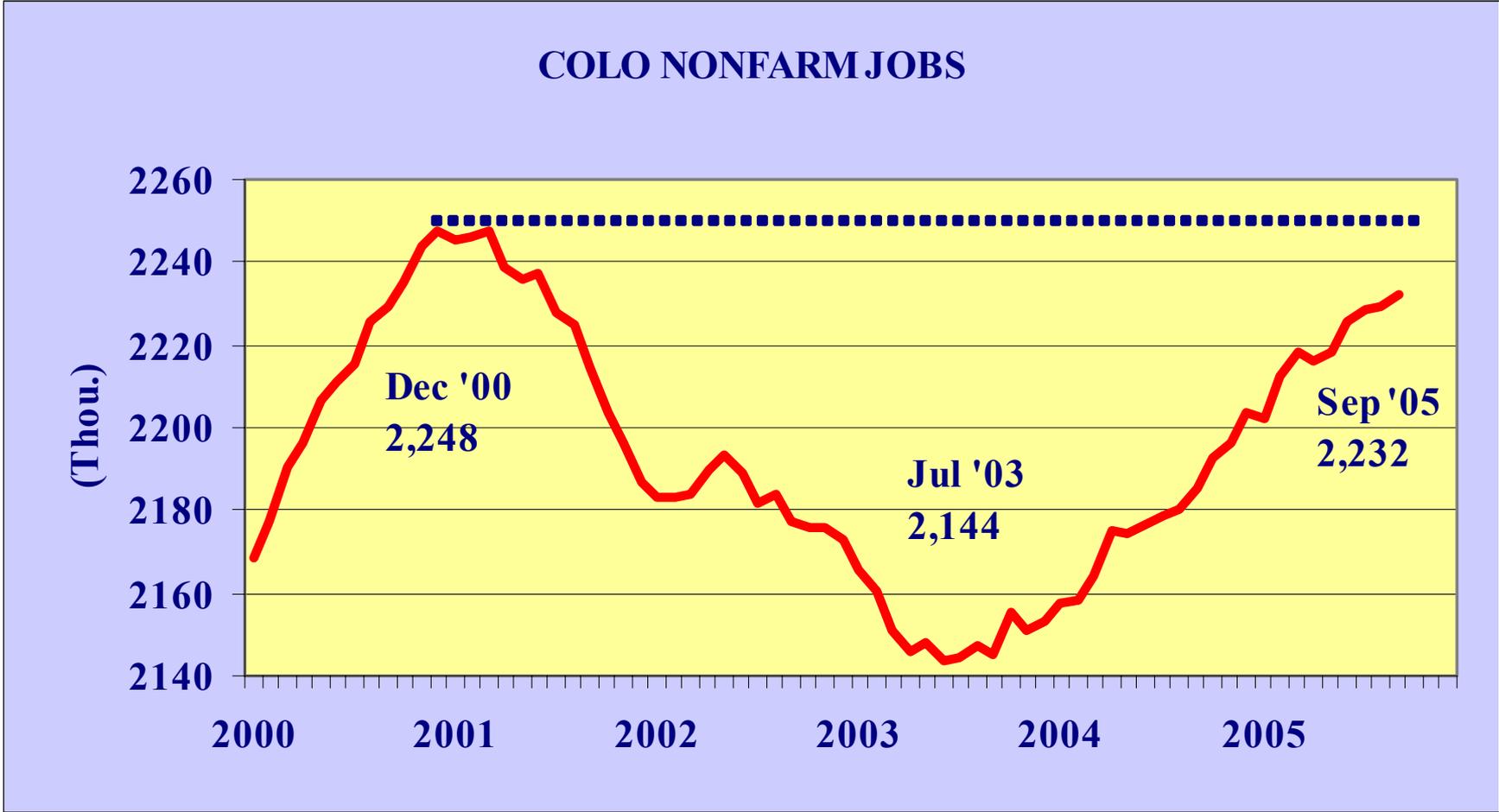
**Center for Business and Economic Forecasting, Inc.**

**November 18, 2005**

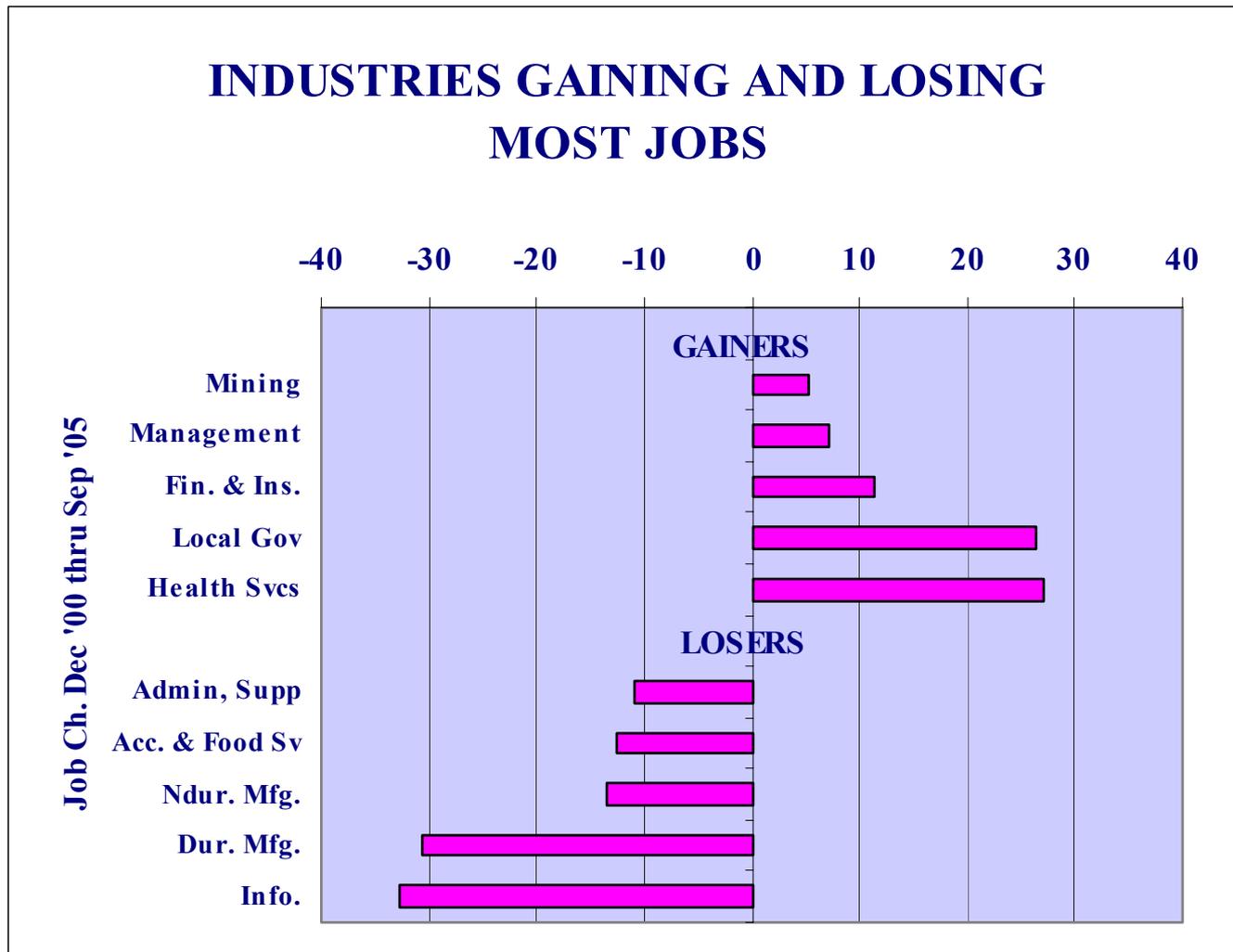
# **Colorado's economic recovery is well underway, but has slowed in recent months**

- Steady job gains posted for last 2+ years, but slowed last 6 months.**
- Personal Income growth in 2004 strongest in 3 years, but real household incomes lag**
- Home building remains healthy, but Colorado market is soft.**
- Retail spending has picked up, but consumers are stressed.**

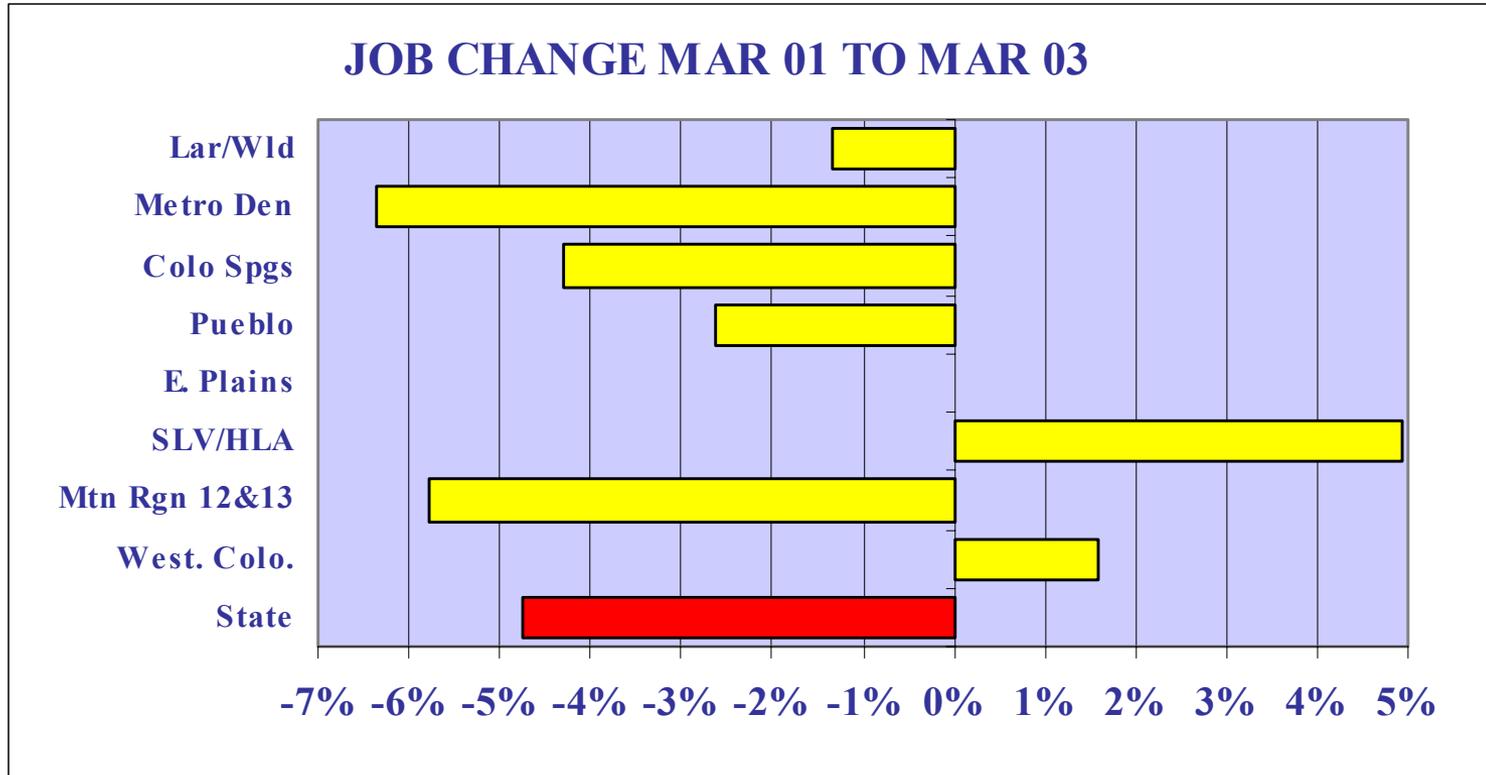
# Colorado still has fewer jobs than in late 2000.



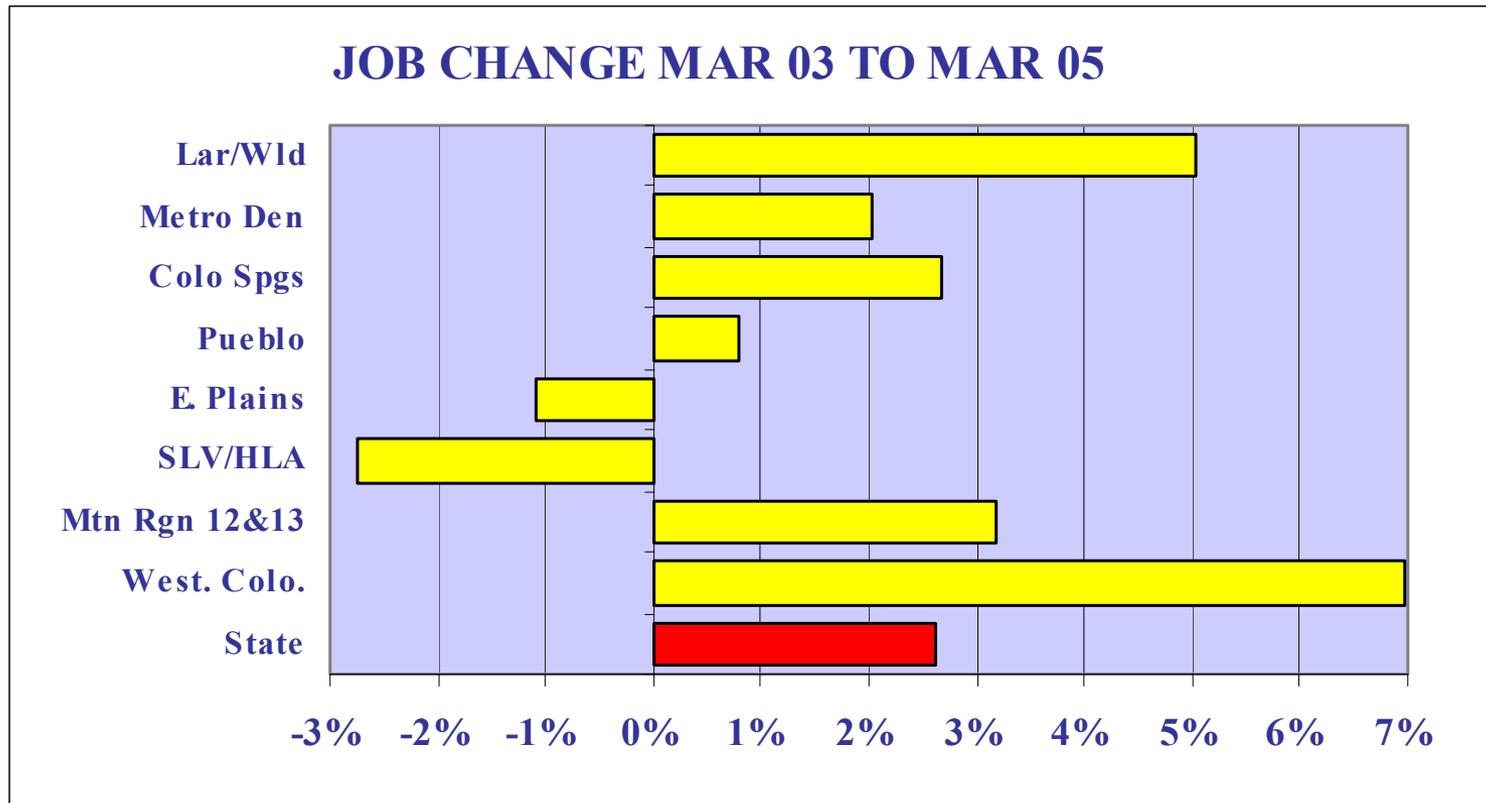
# Since 2000, job performance varied widely by industry



# Most of Colorado's regions lost jobs during downturn

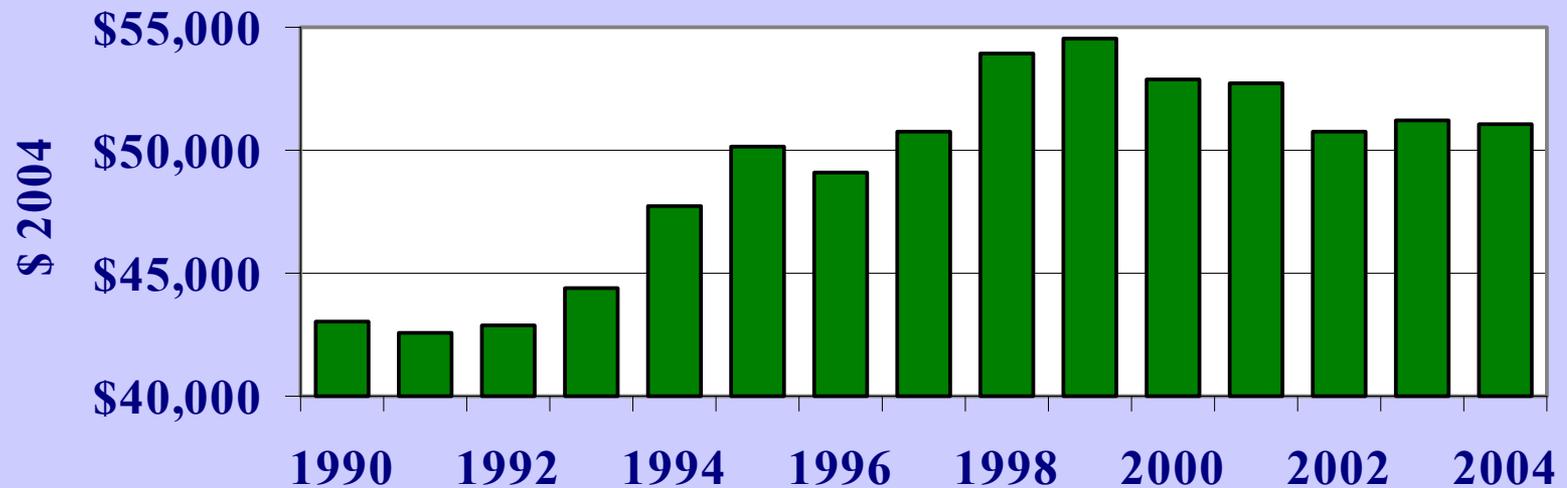


# Front Range, Western Colo. and Mountains have experienced recoveries



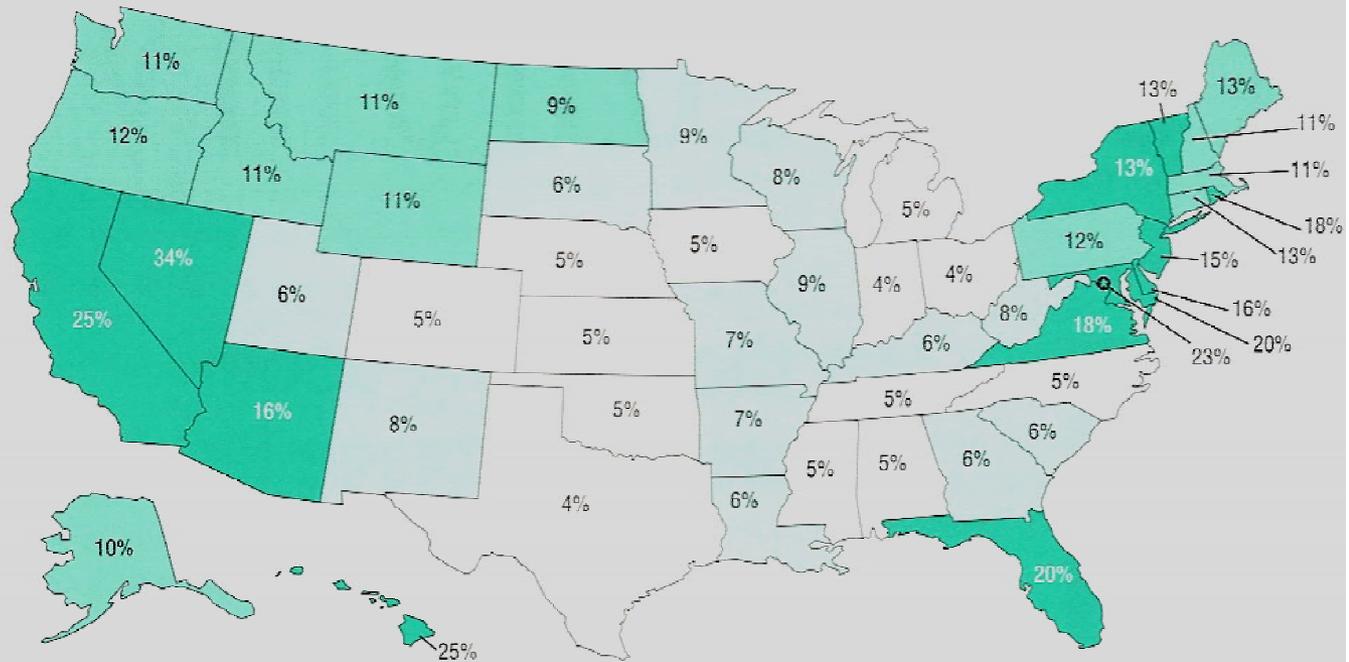
# Coloradans' real incomes have fallen over last several years

## COLORADO REAL MEDIAN HOUSEHOLD INCOME



# Colorado's housing market has softened while parts of US see rapid price gains.

House Price Appreciation, 2004



NOTE: Darker color indicates greater percent appreciation.

SOURCE: Office of Federal Housing Enterprise Oversight, *House Price Index*.

# State consumer spending rebounded after 3 years of no growth



# **Colorado's recovery is almost 2 and one-half years old**

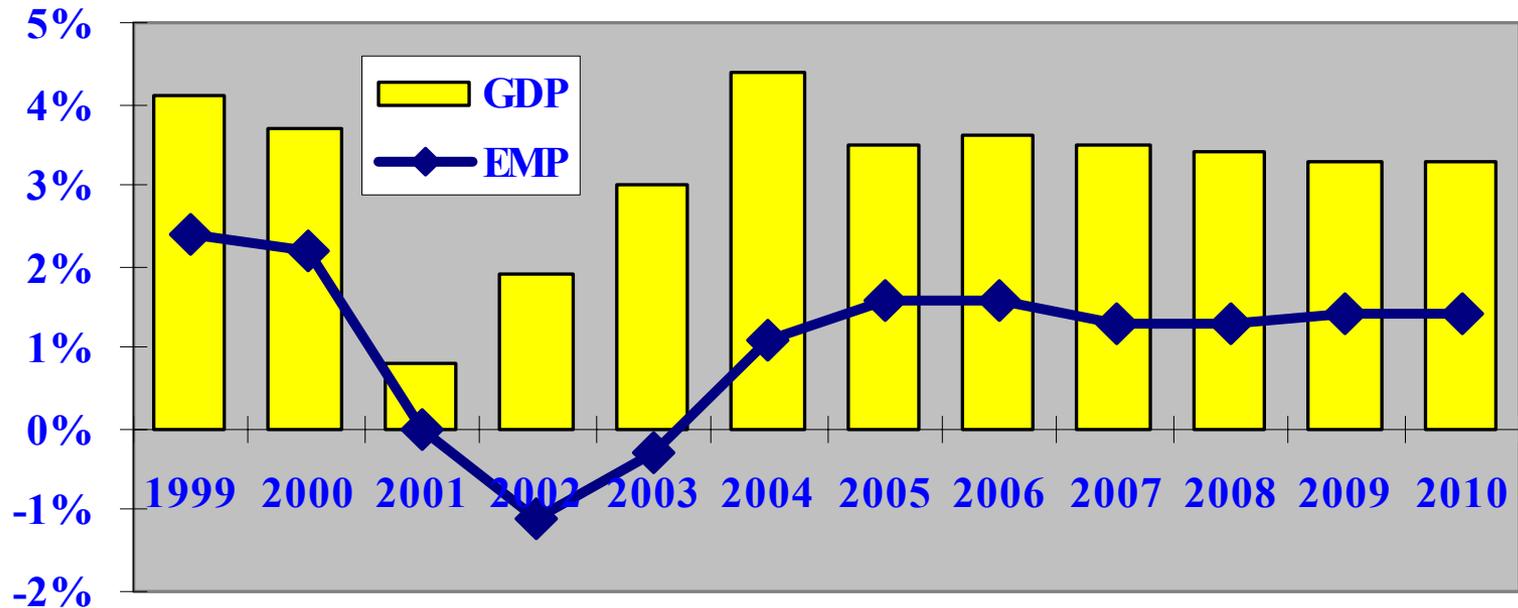
- **Telecommunications and technology sectors remain sluggish.**
- **Travel and tourism have rebounded.**
- **Energy and defense show strength.**
- **State recovery is slower than after past downturns.**
- **Migration remains low.**

# **Continued growth in national economy is critical to Colorado**

- Third quarter showed healthy growth despite hurricanes.**
- Consumer confidence has declined sharply.**
- Inflation fears have reappeared .**
- Fed continues to raise short-term rates.**
- Yield curve is flattening-often a signal of future weakness.**
- World economy has slowed.**

# US economy to slow slightly but job and output gains continue

## REAL GDP & JOB GROWTH



# **US Outlook-Summary**

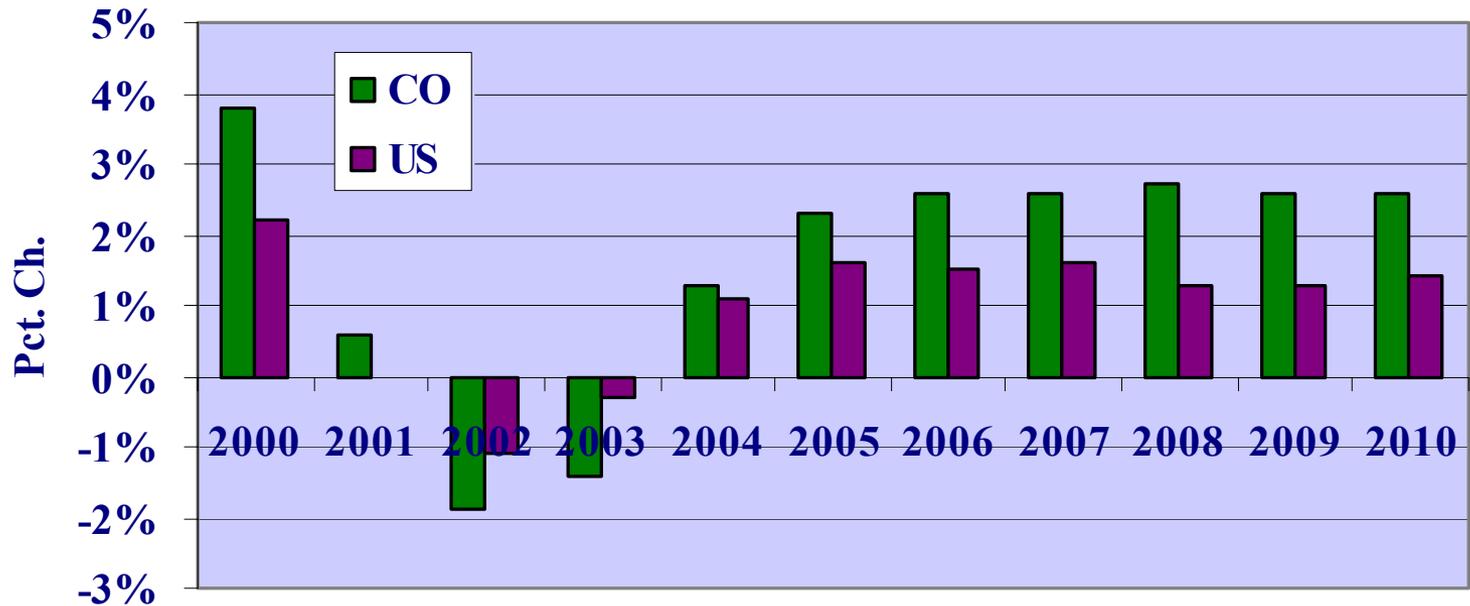
- **Real growth will be slower than in 2004, but no downturn imminent.**
- **Job gains will continue & unemployment rate will edge down.**
- **Homebuilding should decline.**
- **Energy prices will remain high.**
- **Inflation may increase a little.**
- **Budget and current account deficits will persist.**

# **Risks to US Outlook**

- **Oil & energy prices**
- **Debt-household & government**
- **Weakening consumer and investor confidence**
- **Run-up in interest rates**
- **Housing bubble**
- **Imbalance in world economy**
- **More terrorist attacks, deteriorating security, avian flu.**

# Colorado job growth to strengthen this year and remain healthy.

## COLO & US JOB GROWTH

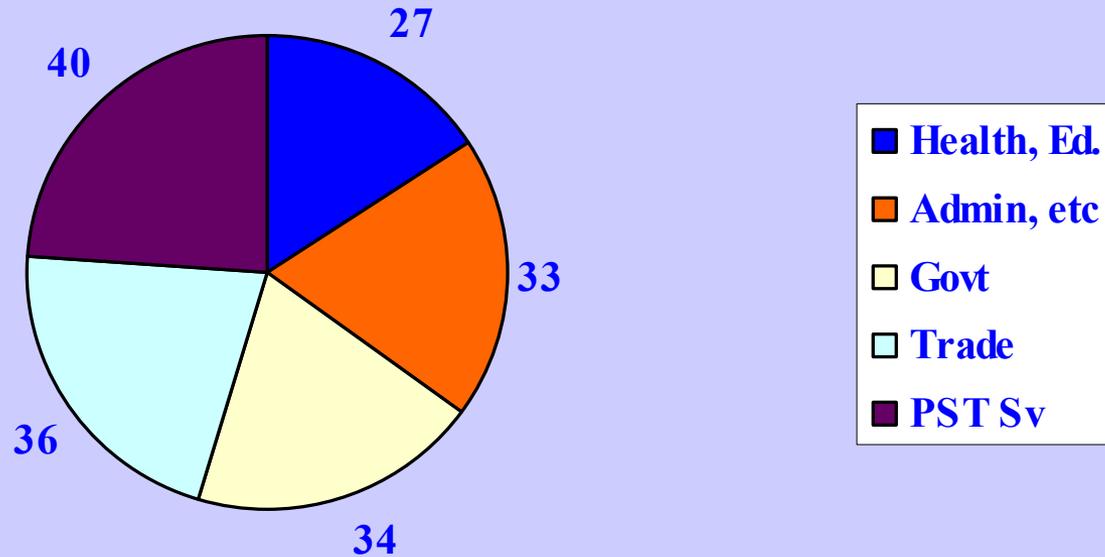


# State income and sales have recovered and this should continue.

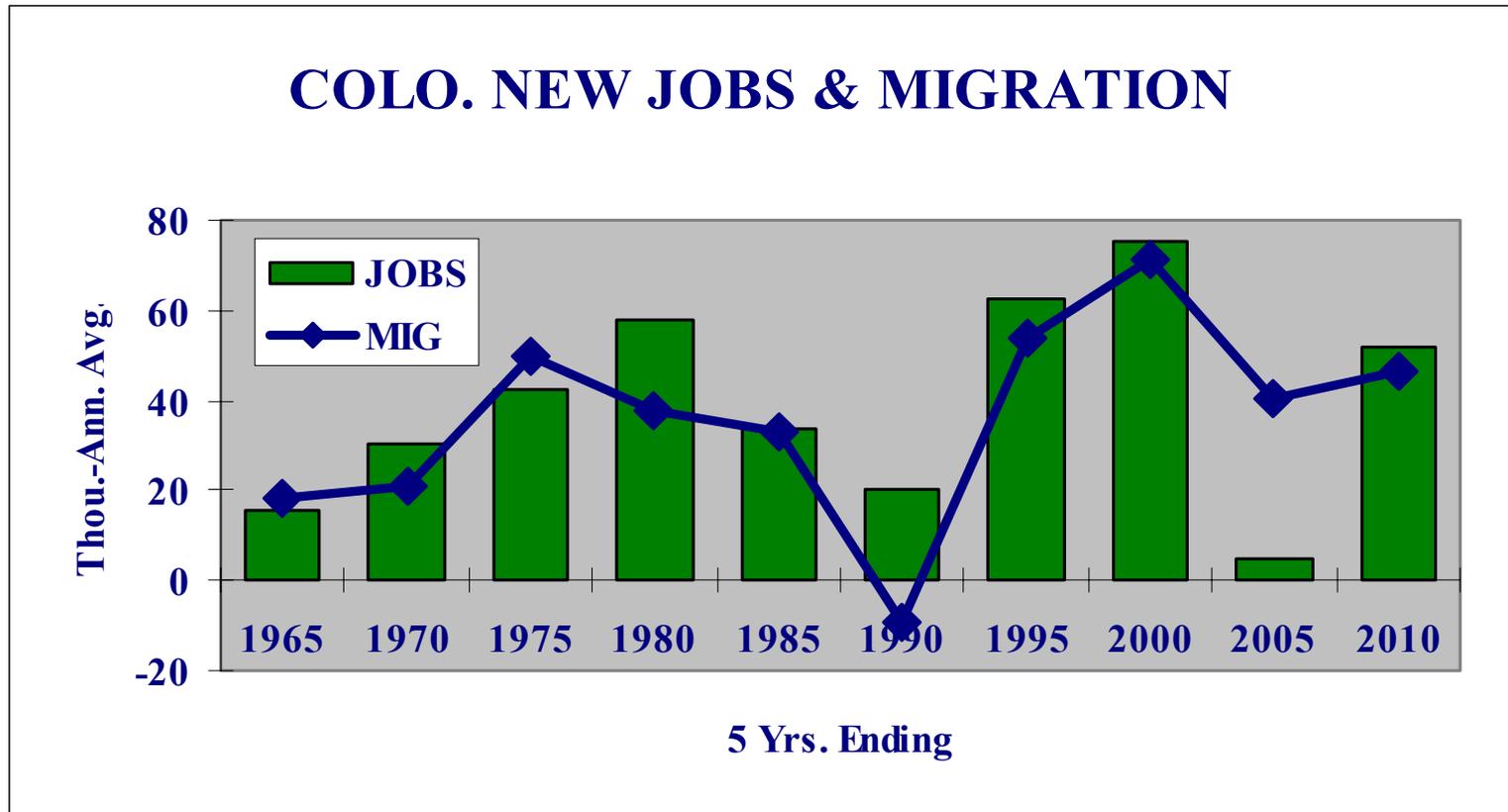


# Most job growth over next 5 years will be in service sectors.

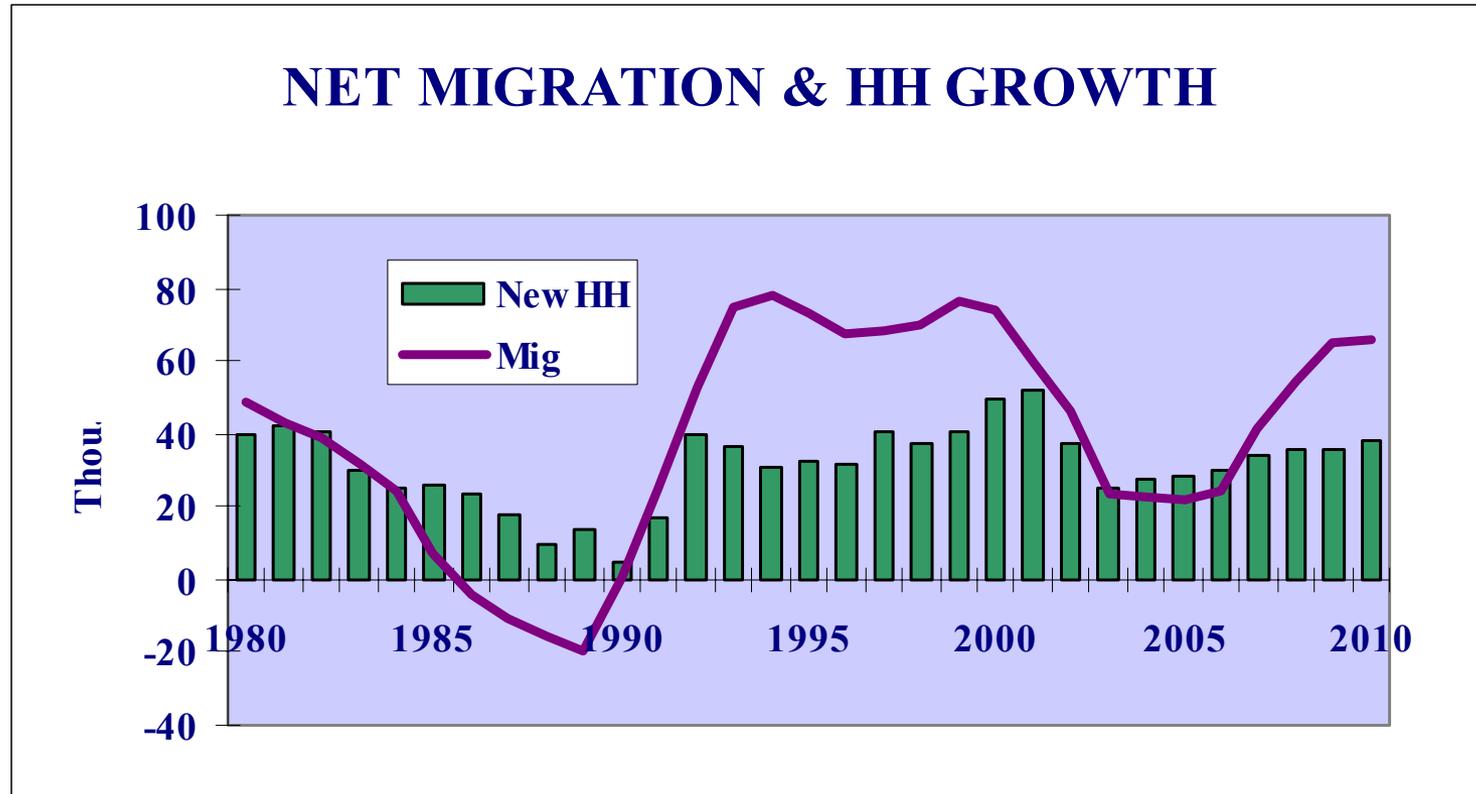
**INDUSTRIES WITH MOST NEW JOBS  
2005-10 (Thou.)**



# Job growth is slower than 90s and migration is also less.

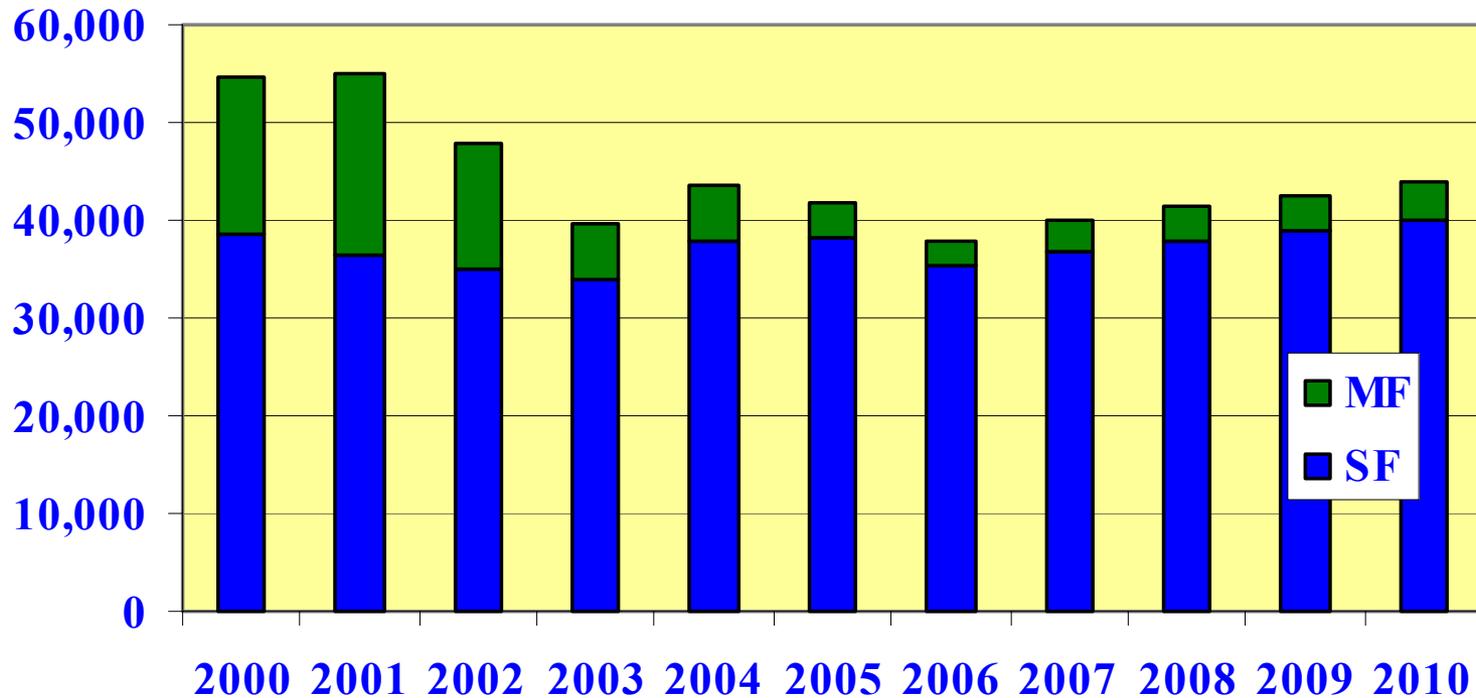


# Demand for new homes driven by household growth which depends on migration



# Homebuilding in Colorado is expected to slow slightly over next few years

## COLORADO HOUSING PERMITS



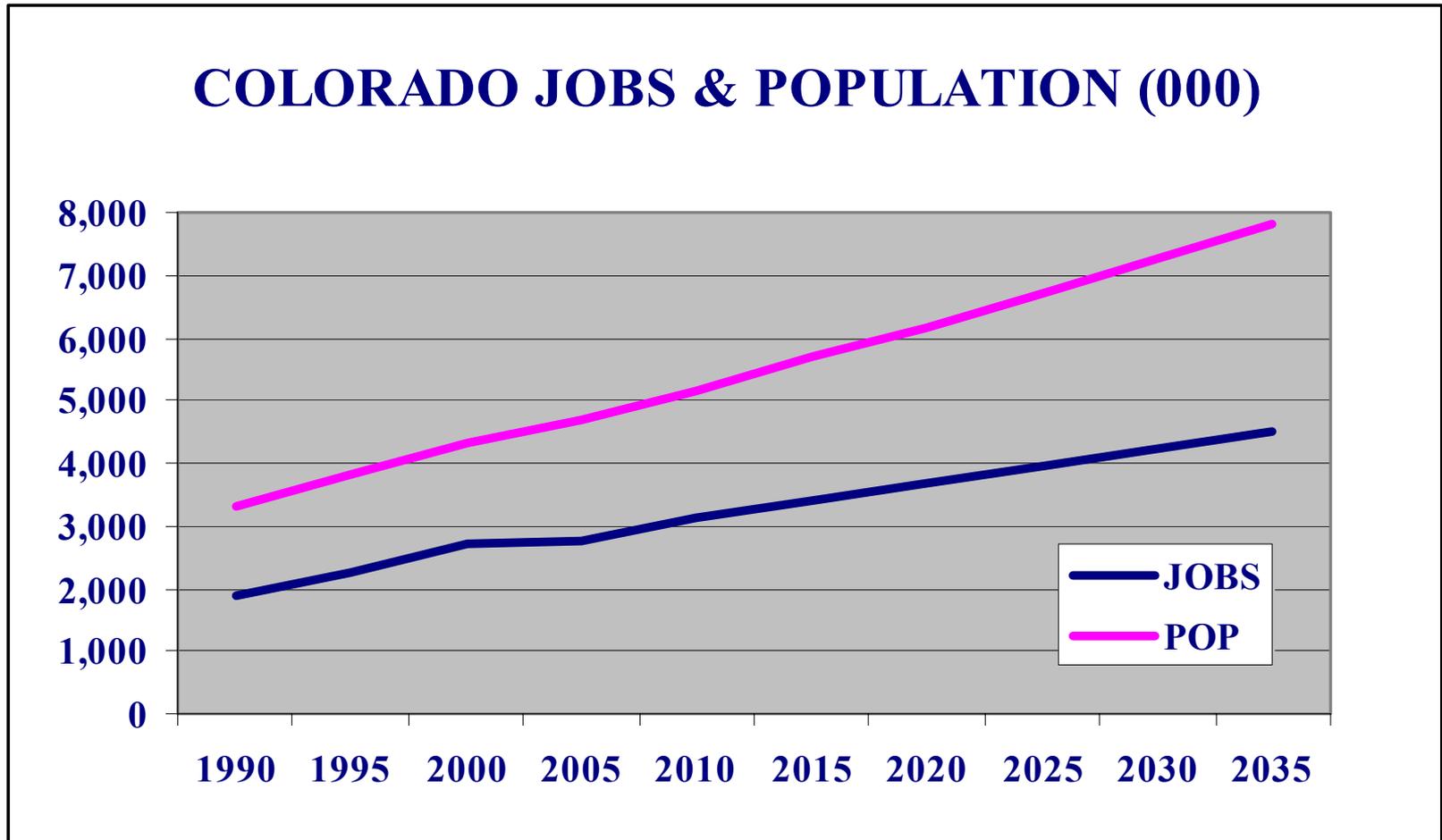
# **Colorado Outlook Summary-I**

- **Recovery should continue.**
- **Housing to weaken; apartment markets will remain soft.**
- **Office market recovery awaits stronger job growth.**
- **Defense spending still a source of strength .**
- **High energy prices will help oil, gas and coal industries but will hurt travel and tourism.**
- **State & local government budget pictures should continue to improve.**

# **Colorado Outlook Summary-II**

- **Tech industries may be showing signs of life.**
- **Telecom recovery still distant.**
- **Migration remains low until job growth strengthens.**
- **Annual job growth will stay in 2.5 percent range.**
- **Unemployment will gradually decline.**
- **Retail spending should remain healthy.**
- **State growth will be well short of that in 1990s.**

**Long term forecasts call for 8 mil. population and 4.5 mil. Jobs in 2035.**



# Warning! Colorado has lagged other fast growing states so far in this century.

